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DEVELOPMENT OF THE INDUSTRIAL CONTROLLER

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DEVELOPMENT OF THE INDUSTRIAL CONTROLLER

by

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INTRODUCTION

Controllership is a nebulous term. The available material on this most controversial subject is voluminous -- and contradictory. Extensive research of it contributes more to redundancy and obscurity than to clarity.

A basic cause of this inconsistency of definition is quite probably the scope and the diversity of the controller's task. In one company, he is little more than a technically accomplished accounting specialist; in another, he may be general manager and/or a member of the board. His individual place in this broad scale of responsibility is, generally and of necessity, determined largely by the range of his professional abilities and experience.

The intention of this thesis is to present the views of diverse authorities on various aspects of controllership and, thereby, to serve the reader as a guide toward better comprehension of this specialty and its ramifications. At no time does the writer purport to furnish a final, unequivocal definition.

The report is divided into four chapters within which the development, functions, and responsibilities of the controller and the growth aspects of his profession will be discussed. The first three chapters represent a survey of academic thinking; the final one expresses the views of the writer.

Chapter I prepares a setting for the study by scrutinizing the etymology of the term "controllership" (long a contributing factor to the confusion that

surrounds it) and the evolution of the function from its rudimentary beginnings at the bookkeeper's high-desk to its present position in the executive suite of today.

The duties, responsibilities, and general functions of the controller are considered in the next chapter -- the reality of the profession being contrasted with the ideal. Also in order at this time, is the investigation of this financial executive's place in the business organization and his relations with other departments.

The traits of a successful controller is the theme of Chapter III. This includes references to his formal education, executive development, and personal characteristics. The fact is stressed that if he is to be considered an executive, the controller must be prepared to think and act like one. And education, it would seem, is the essence of his preparation.

The final chapter of this report is devoted to the expression of the writer's views of the points at issue, with the hope that it may, in some small way, assist the reader to a better understanding of the role of the controller in American industry today.

CHAPTER I

THE GROWTH OF CONTROLLERSHIP

Controllership Defined

The term "controllership" has many meanings to many people. It is difficult, if not impossible, to define so complicated a concept in a sentence or short paragraph.

In 1947, David R. Anderson, in discussing the subject, defined controllership as follows:

> . . .Controllership, in spite of its many ramifications, is basically the record-keeping and reporting function. It can be defined, very baldly as the function embracing the recording and utilization of all the pertinent facts about a business for the purpose of (1) protecting the assets of the business, (2) complying with legal record keeping and reporting requirements, and (3) communicating to the management information which will assist in the planning and control of operations.[1]

Mr. Anderson further stated that the definition was reasonably accurate but failed to express the idea of controllership being a vital and constructive factor in business management.

In 1961, when writing on the subject, Mr. Anderson stated that:

> The difficulty in defining controllership is twofold. First, it is a complicated concept, and second, the concept is in a state of evolution. Definitions tend to emphasize that particular aspect of the thing defined that happens to be important at the time and under the conditions in which the definition is being given.

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[1]David R. Anderson, Practical Controllerships (Homewood, Illinois: Richard D. Irwin, Inc., 1955), p. 17.

> For instance, a favorite short definition is this: The controller is the figure partner on the management team. This definition is not in exact terms; it is figurative and graphic. It visualizes top management as a team; it carries the implication that the members of the team bring special contributions to the joint management effort; and it asserts that the special contribution of the controller involves the presentation and use of figures. However the terms "figure," "partner," and "team" are all vague as used and need considerable clarification before they may be accepted as a safe definition.[2]

Mr. Anderson went on to say that any attempt to define such a complicated concept as controllership in a sentence or a paragraph would require extensive elaboration of the terms used in that definition. Finally, he stated that there was no pressing need to put the concept into an airtight definition in any limited number of words. In fact, the function of his whole book was to define controllership.

James L. Pierce, vice president and controller of the A. B. Dick Company, Chicago, Illinois, writing on the subject of controllership and cost accounting described controllership as the scientific application of the principles of planning and control to a business to the end that it may grow and prosper.[3]

Mr. Pierce in writing on a modern concept of controllership function stated:

> . . . Controllership is not a function at all. It is rather an attitude of mind. It is a presence if you will, which enriches and vitalizes the activities of any company in which it is found. A mere set of functions may be assigned to any qualified person, but controllership goes far deeper. It is a trained viewpoint

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[2]David R. Anderson and Leo A. Schmedt, Practical Controllership (Rev. ed.; Homewood, Illinois: Richard D. Irwin, Inc., 1961), p. 7.

[3]James L. Pierce, "Controllership and Cost Accounting," The Controller, XXIV, No. 8 (August, 1956), p. 359.

> which when properly exercised brings balance to management thinking, escorting it through sound channels of business judgment and ushering it into the realm of profitable operations.[4]

The best-known and most nearly authoritative definition of controllership is that of the Controllers Institute of America as developed by Controllers Institute's Committee on Ethics and Eligibility Standards, and approved by the National Board of Directors on September 25, 1949, which follows:

> 1. To establish, coordinate and maintain, through authorized management, an integrated plan for the control of operations. Such a plan would provide, to the extent required in the business, cost standards, expense budgets, sales forecasts, profit planning, and programs for capital investment and financing, together with the necessary procedures to effectuate the plan.
> 2. To measure performance against approved operating plans and standards, and to report and interpret the results to all levels of management. The function includes the design installation, and maintenance of accounting and cost systems and records, the determination of accounting policy and the compilation of statistical records as required.
> 3. To measure and report the validity of the objectives of the business and on the effectiveness of its policies organization structure and procedures in attaining those objectives. This includes consulting with all segments of management responsible for policy or action concerning any phase of the operation of the business as it relates to the performance of this function.
> 4. To report to government agencies, as required, and to supervise all matters relating to taxes.
> 5. To interpret and report on the effect of external influences on the attainment of the objectives of the business. This function includes the continuous appraisal of economic and social forces and of governmental influences as they affect the operations of the business.
> 6. To provide protection for the assets of the business. This function includes establishing and maintaining adequate internal control and auditing, and assuring proper insurance coverage.[5]

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[4]James L. Pierce, "The Controllership Function: A Modern Concept," The Controller, XX, No. 9 (September, 1952), p. 419.

[5]Ibid., p. 420.

The Webster New World Dictionary of the American Language, defines controllership as "the position or term of office of the controller."[6] This brief definition is almost meaningless unless the term "controller" has been defined.

It is obvious from the foregoing definitions that there is no concise universal definition of controllership. For purposes of this paper, the writer prefers to look at controllership as a concept encompassing those functions approved by the Controllers Institute of America. These functions will be dealt with in greater detail in Chapter III.

An associated problem of definition has to do with the terms "controller" versus "comptroller" and the usage thereof. The Webster's New World Dictionary uses the terms synonomously and defines them as: "1. a person in charge of expenditures or finances. 2. a person who controls; one who governs, manages, or restrains."[7]

The Controllers Institute of America, organized in 1931, definitely advocates the use of "controller" and has adopted this spelling for the term. On the other hand, the National Association of Bank Auditors and Comptrollers has chosen to use the spelling "comptroller."

From the etymological point of view it appears that "controller" is the more correct spelling. The word came into our language from the Latin, by way of the ancient French. It was originally spelled "contre-role" or "contre-rolle," meaning a 'role checked against." In the ancient French, the spelling

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[6]Webster's New World Dictionary, College Edition, (Cleveland and New York: The World Publishing Company, 1960), p. 322.

[7]Ibid.

became "contre-roller," referring to the one who keeps a "contre roll," or a copy of a document used to check the original. This officer's function was apparently to act as a check on the treasurer or person in charge of accounts. The word was adapted to English about the twelfth or thirteenth century but the spelling "comptroller" was not found until sometime in the sixteenth century. This probably arose from the English misspelling of the first syllable "cont" and led to confusion as to the meaning and derivation of the word and eventually brought about the introduction of the spelling "comptroller" based upon the modern French.

While the word "comptroller" may have come into our language through an etymological error, it has acquired much authority through four centuries or more of use. This so-called "erroneous" method of spelling seems to have been particularly favored by official scribes and has become the established form in connection with many public offices such as the Department of Defense and the Department of the Navy.[8]

For the purpose of this paper, the terms are used synonomously; however, the spelling "comptroller" is used only when citing a reference or passage in which that spelling was used.

Controllership in American Business

"Controllership represents one of the most important organizational developments in American business during the past half-century."[9] These are the

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[8]J. Hugh Jackson, "The Growth of the Controllership Function," Controllerships in Modern Management, ed. by Thornton F. Bradshaw and Charles C. Hull (Chicago: Richard D. Irwin, Inc., 1949), pp. 21-23.

[9]Ibid., p. 11.

words of J. Hugh Jackson, Dean, Graduate School of Business, Stanford University.

The real and distinctive growth of controllership has paralleled and is, in fact, part of the evolution of industry itself. The tremendous expansion in the scope and complexity of business activities in the last forty or fifty years and the increasing severity of competition have placed heavy and added responsibilities on management. Management is no longer able to rely solely or even primarily on personal supervision of activities which it directs, and consequently has turned to the accounts and records for the information it must have to take intelligent action. This has led to an increase in the volume, variety, and complexity of business records. Even more important has been an increasing emphasis on the constructive aspects of the reporting and interpreting function, as distinguished from the routine recording function, which has led to the development of controllership as a real factor in business management.[10]

The office of controller is a modern development in organization and management which, as mentioned previously, has had its principal growth during the present century. The title of controller, like that of treasurer, had its origin in government. In the United States, the Continental Congress appointed a comptroller in 1778; the Treasury Department established the office of the comptroller in 1789, and the title now is used widely with federal, state, and municipal offices and agencies. The title and office of controller was probably extended into the business corporation through the railroads. The title had been established in several railroads, including the Atchison, Topeka and Santa Fe Railroad Company, the Southern Pacific, the Lehigh Valley, and the

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[10] David R. Anderson and Leo A. Schmidt, op. cit., p. 17.

Baltimore and Ohio prior to 1900. Several public utility and industrial controllerships had been established prior to 1900, but most industrial controllerships date from 1920.[11]

Many of our large American industries have had their truly phenomenal development only since 1900. Many businesses during this development period combined to form the huge enterprises which today have achieved so prominent a place in the economic and industrial life of our nation. This was brought about by rising competition, increased overhead costs, and the desire for large profits.

This expansion of American industry and the unprecedented growth in size and complexity of individual business units, increased the demand for better management practices. This, in turn, required more exact financial control. The result has been the establishment of the controllerships function and the executive designated the controller. Although established in recent years, the importance of the controller's position in industry is unquestioned, but it has not reached the universal usage and more uniform treatment accorded the offices of secretary and treasurer.[12]

In 1949, J Hugh Jackson, dean of the Graduate School of Business, Stanford University, conducted a study of 195 large companies. Of these companies, 143 used the controller title while 52 did not. In these 52 companies, and probably in a large majority of the smaller companies throughout

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[11]Darrell H. Voorhies, "The Treasurer and the Controller," Corporate Treasurer's and Controller's Handbook, ed. by Lillian Doris (New York: Prentice-Hall, Inc., 1951), pp. 5-6.

[12]Ibid., pp. 8-13.

industry, the accounting function was entrusted ordinarily to the treasurer or secretary or to others under their control. This has been the historical and traditional plan of corporate organization for the accounting function.

The comptrollership may, therefore, be considered as a logical outgrowth of the offices of secretary and treasury when it became necessary, because of the large volume of accounting work involved, or advantageous for other reasons, to separate the accounting functions from the secretarial and financial functions of the corporate business.

By 1949, where the comptroller was used in industry, he was entrusted generally with the entire corporate accounting function, including, ordinarily, the internal auditing and tax functions. In general, these were the functions taken over during comptrollership development from secretaries, treasurers or auditors.

The development of controllership in the United States has been closely interwoven with the history of the Controllers Institute of America, its largest and most influential exponent. Intraindustry organizations and controllers were in existence prior to the foundation of the controller's national organization, but their influence and usefulness were limited to their own lines of business. Organizers of the Controllers Institute foresaw the need for an overall organization whose membership would consist of controllers from a great many varying lines of industry and business.

Once formed on a national scale, the controller's organization adopted a carefully prepared program designed to place controllership on a sound foundation. First, it was necessary to conduct research to determine what a

controller was, what duties he performed; his standing in his company, and his relationship to other executives. After careful analysis of the survey results the Controllers Institute, on the basis of conclusions reached, published a list of duties of a controller as they then were found to prevail. This list is still valid today and will be taken up in detail in Chapter III.

The first annual meeting of controllers was held in 1932, and served to point up the studies researches, and general planning which had been in progress following the formation of their national organization. This was really the birthday of American controllership. Since its inception the Controllers Institute has been active in the development of the controllership concept. Its main efforts have been in the areas of research and education for modern controllership. The educational efforts of the institute have not only been directed toward better controllership but also toward educating top management in the value of sound controllership. The institute's magazine, The Controller, has played a conspicuous part in "grounding" and standardizing controllership through the presentation of creative thought, from month to month, which has constituted a great body of material both progressive and forward looking in character.[13]

Status of Controllership.

In recent years, it has been realized that a controller is in fact a part of management. He is one of management's closest advisers, a part of the inner groups which make decisions on a company's plans and policies.

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[13]Arthur R. Tucker, "Organized Co-operation Among Controllers in the United States," Controllership in Modern Management, ed. by Thornton F. Bradshaw and Charles C. Hull (Chicago: Richard D. Irwin, Inc., 1949), pp. 29-44.

The official lists of officers of corporations which appear in various business directories gave prompt recognition to the advancement of controllers in the official organizations of corporations. When the Controllers Institute of America was first formed, company controllers were rarely listed in business directories. When their names did begin to appear, it was generally at the bottom of the list. Since that time the function of controllership has moved up the scale and now is near the top of the official lists along with sales, production and other vice-presidents.[14]

In 1958, the Controllers Institute Research Foundation conducted a study of active members of Controllers Institute of America. They requested information pertaining to the member's positions, kinds of responsibilities, background of experience, training, education, and additional data about themselves as persons and members of the communities in which they worked and lived.

Of the 2,795 respondents to the questionnaire sent out by the Research Foundation, 2,428 had major responsibilities clearly indicating that they were in the controller job category. The titles of these respondents vary considerably, such as, vice president-controller, vice president-finance, controller, and treasurer. Over fifteen per cent of the respondents held the title vice president, while more than forty-one per cent were entitled controller. The 2,428 respondents covered a broad cross section of industry and were distributed as follows: manufacturing and processing, 1,617; banking, finance, insurance, and business services, 163; public utilities, transportation, and communications, 202; construction, extractive and related refining and processing, 181; wholesale and retail distribution, 187; and all others, 78.

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[14] Ibid., pp. 37-38.

The most common company size class which these controllers represent is that of $10-$48 million of annual sales. In other word, there were more respondents associated with companies in this size class than in any other, and consequently it can be considered as the typical or more representative class.[15]

A trend of apparent significance to corporate controllers and financial officers appears visible in connection with a recent review of corporate titles of members of Controllers Institute. Of its total (5,158) membership, the institute has 4,698 in the active classification. Of these, 2,182 have the title of "controller" either solely or combined with other titles (approximately 46.5%). The title of "treasurer," solely or combined with other titles, is held by 672 members (13%) and "vice president," solely and with other titles, totals 506 (11%).

A point of particular interest, however, is the growth in recognition of the overall corporate finance function. The institute's membership directory, a decade ago carried no listing of a member with the title "vice president-finance." In 1956, seventy-four members held that title. By the summer of 1960, when a recent survey was completed, the figure had risen to 187.[16]

During the Thirtieth Annual International Conference of Controllers Institute the subject of possibly changing the title "controller" to "financial vice president" was discussed. Also the possibility of changing the name of the institute to the Financial Officers Institute was proposed.[17] No additional

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[15]Robert F. Klingman, "Profile of the Corporate Controller, Part I" The Controller, XXVI, No. 10 (October, 1958), pp. 467, 469, 497.

[16]"Controllership's Broadening Horizons," The Controller, XXVIII, No. 6, (June, 1960), p. 262.

[17]Interview with A. Rex Johnson, Director, the Navy Graduate Comptrollership Program, April 11, 1961.

information was available to the writer at the time of writing, so consequently the results of these discussions, if any, were not known.

From the foregoing discussion it can be seen that the controllership function has grown tremendously in American industry in the last fifty years. The trend appears to be toward further expansion and increased prestige through the continuing climb up the corporate ladder to the level of top management.

CHAPTER II

THE FUNCTION OF CONTROLLERSHIP

Though there may be differences of opinion as to an exact or precise definition of the controllership function, as to the fixing of its limitations and as to the proper outline of its subfunctional relationships, there can be no doubt that its principal purpose in a business organization is to aid management.[1]

Duties of the Controller

The Controllers Institute shortly after its formation established, as a guide in measuring the eligibility of a candidate for membership in the organization, seventeen duties for a controller. This list is the best known and the most nearly authoritative compilation in this area; however, it does not represent a standard specification but a check list against which the requirements of any particular situation may be studied.

The following listing, in abbreviated form, summarizes these seventeen duties as defined by the institute.

1. The installation and supervision of all accounting records.
2. The preparation and interpretation of financial statements.

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[1]David R. Anderson and Leo A. Schmidt, Practical Controllership (Homewood, Illinois: Richard D. Irwin, Inc., 1961), p. 79.

3. The continuous audit of all accounts and records.

4. The compilation of production costs.

5. The compilation of distribution costs.

6. The taking and costing of all physical inventories.

7. The preparation and filing of tax returns and supervision of tax matters.

8. The preparation and interpretation of all statistical records and reports.

9. The preparation, as budget director in conjunction with other offices and department heads, of an annual budget covering all activities of the corporation.

10. The adequate insuring of properties.

11. The initiation, preparation and issuance of standard practices relating to all accounting matters and procedures and the coordination of systems including clerical and office methods, records, reports and procedures.

12. The maintenance of adequate records of authorized appropriations.

13. The ascertainment that financial transactions covered by the board of directors and/or the executive committee are properly executed and recorded.

14. The maintenance of adequate records of all contracts and leases.

15. The approval for payment of all checks, promissory notes and other negotiable instruments which have been signed by the treasurer or other authorized officer.

16. The examination of all warrants for the withdrawal of securities from the vault of the corporation and the determination that such withdrawals are in conformance with the by-laws and/or regulations.

17. The preparation or approval of the regulations or standard practices required to assure compliance with orders or regulations issued by duly constituted governmental agencies.[2]

The foregoing list of duties have been proposed for use in by-laws of corporations along with a shorter form which follows:

> The duties of the Controller shall be to maintain adequate records of all assets, liabilities, and transactions of the corporation; to see that adequate audits thereof are currently and regularly made; and in conjunction with other officers and department heads, to initiate and enforce measures and procedures whereby the business of this corporation shall be conducted with the maximum safety, efficiency, and economy. He shall attend all meetings of the Board of Directors and of the Executive Committee, and he shall report to the president and/or the Board of Directors as said Board of Directors may prescribe. His duties and powers shall extend to all subsidiary corporations and so far as the President may deem practicable, to all affiliated companies.[3]

In actual practice, the by-law provisions may vary from a mere statement that the board of directors may elect a controller whose duties shall be such as the board, by resolution, shall determine, to more detailed provisions such as those noted above. Those by-laws that briefly state that the controller shall be the principal officer in charge of accounts ordinarily provide that the controller shall provide such other duties as specified officers with the requisite authority may assign. In comparison with by-law provisions for older corporate offices, the provisions for the controller are generally lacking in development and standardization.[4]

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[2]Darrell H. Voorhies, "The Treasurer and the Controller," Corporate Treasurer's and Controllers Handbook, ed. by Lillian Doris (New York: Prentice-Hall, Inc., 1951), pp. 25-26.

[3]Ibid., p. 25.

[4]Ibid., p. 24.

In most cases in which provisions for the controller's duties are made in the by-laws, they are specific only to the extent of assigning the controller responsibility for maintaining the corporate records and possibly for the audit function, supplementing this statement with some general statement to the effect that he shall perform such additional duties as the president or other chief executive may direct.[5]

A typical by-law provision is shown in the following example which is a section from Article IV of the By-laws of the International Harvester Company. It reads as follows:

> Section 9. Comptroller. The Comptroller shall be the principal officer in charge of the accounts of the company. He shall be responsible to the Board of Directors for the maintenance of adequate accounting procedure and records of the company and of subsidiary companies and for the preparation of financial statements and reports on the operation of the business. He shall be responsible to the President or to the Chairman of the Board with respect to the administration of his office. He shall perform such other duties as may from time to time be assigned to him by the President or the Chairman of the Board of Directors.[6]

From the foregoing paragraphs it can be readily seen that the duties of a controller differ widely from one company to another. In some companies, the controller performs the accounting, cost, and tax duties while the coordination of a budgetary control program is assigned to an administrative vice president or treasurer. In other cases, the heart of controllership, the planning and control activities are performed by staff men reporting to the president. Frequently the president or an executive vice president does the

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[5]Anderson and Schmidt, op. cit., p. 9.

[6]J. Hugh Jackson, "The Growth of the Controllership Function," Controllership in Modern Management, ed. by Thornton F. Bradshaw and Charles C. Hull (Chicago: Richard D. Irwin, Inc., 1949), p. 26.

real controllership job, leaving the designated controller with a task resembling that of a chief accountant.

On the operating side, the controllers are sometimes found carrying out assignments that are not a part of controllership. There are usually reasons for these heterogeneous arrangements considered valid by the managements concerned. In such cases, however, the controller is hampered in giving his full attention to controllership duties.[7]

The lack of uniformity in the nature and scope of assigned duties and responsibilities is not peculiar, in business, to the controllership function. In most enterprises the organization of responsibilities tends to vary with the capacities and interests of the individuals comprising top management. This is an inevitable and a desirable condition since it is generally easier to adapt an organization to human capacities rather than mold people to fit a rigid formal organization plan. This process of adaption cannot be overdone since there are certain principles of organization that must be observed if management is to function effectively.

The factor of possible variation is broad and it seems to affect the position of the controller with special force. It appears that the miscellaneous duties and "odd jobs" which do not come clearly under the jurisdiction of any particular major executive most frequently fall into the lap of the controller. This office seems to have a proclivity toward becoming involved in special assignments or operating duties which are far removed from his inherent field of activity. This is due in part to the fact that the

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[7] James L. Pierce, "The Controllership Function: A Modern Concept," The Controller, XX, No. 9 (September, 1952), pp. 419-420.

functions and duties of the other major executives are more clearly defined, which makes it easier for them to escape miscellaneous and nondescript incidental duties. In large part it is because of the fact that the controller has contact with and a knowledge of almost every facet of the business and can, therefore, take on the new jobs with less travail than could other executives. It can also be attributed to some extent to the fact that some controllers, influenced by the fact that their jobs are still in an evolving phase, become "empire builders" and sometimes unwisely reach out for any plausible new assignment which will add to their responsibilities and, therefore, to their prestige.

Whatever the reason, it is apparent that most actual controller jobs today are a combination of the inherent controllership function and additional duties which vary from those that are wise and inevitable extensions to those that are plain nuisances. A danger is that extra duties may take so much of the controller's time and energy that they may interfere with the performance of his basic duties. If such miscellaneous, occasional, and special assignments exist, it is apparent that the really essential duties of controllership are all aspects of one basic function, that of designing and operating the records of the business and reporting and interpreting the information they contain.[8]

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[8]Anderson and Schmidt, op. cit., pp. 11-12.

Controllers at Work

Business Week, in covering the 1960 annual conference of the Controllers Institute of America in San Francisco, described the work of some controllers from several of the major companies representing industry which, though not necessarily typical of a controller's duties, responsibilities, and scope, are illustrative.

Wilson K. Minor is the controller for Standard Oil Co. of California. He is a veteran of thirty-five years service with Standard. As controller, he is an officer of the corporation with a staff of some 200 employees. He reports directly to the vice president of finance, Elmer R. Peterson, and through him to R. Gwin Follis, the chairman of the board. Under him, Minor has an assistant controller responsible for all corporation accounting policy and practice, including financial forecasts and analyses, and associated statements. Another assistant controller is concerned with salary administration and payroll accounting, with the organization and methods research accounting, with the organization and methods research for the controller's staff and with the management of the electronic computer center which was established in 1957. Mr. Minor also has a general auditor whose staff ranges across all subsidiaries and affiliated companies and coordinates internal audits with those of the public accountants who certify the companies' financial reports. In addition to this staff, the controller has an analytical division consisting of twelve people headed by a Ph. D. in chemical engineering and including a petroleum engineer and geological engineer along

with accountants. In a large integrated oil company such as Standard, it makes sense to look to the scientists and technologists for help in many non-scientific phases of the business. Without a doubt, Mr. Minor is an integral part of management at Standard.

General L. Phillippe is the control executive of General Electric Co. His responsibilities encompass the planning and the measurement of results in the 104 operating departments of this giant enterprise, each with its own control officer. His title, like that of Mr. Minor of Standard, is simply controller.

By contrast, Leon C. Guest, Jr., control officer of General Telephone and Electric Corporation is a vice president and controller. Dudley E. Browne, the control executive at Lockheed Aircraft Corporation, has the title of vice president-finance. Both of these companies have division controllers reporting to division managers, but both Guest and Browne are responsible for selecting the division controllers.

The disparity of title and function is more apparent than real, and probably springs from the differences in size, complexity and nature of the individual business. Mr. William R. Thomas, vice president-finance of Cutter Laboratories put it this way in way of summary: "The big difference is that some of us, like myself, are working with fewer digits."[9]

General Functions of the Controller

Mr. Darrell H. Voorhies when writing on the subject of basic functions of the controller stated that in addition to the functions that may generally

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[9]"Controller Makes Bid for a Bigger Job," Business Week, November 12, 1960, pp. 178-182.

pertain to an office, the incumbent has the responsibilities that are common to all supervisors. Thus, within his own segment of the enterprise a controller has a measure of responsibility for the plan of organization, personnel administration and the effect of their operations upon the finances of the company. He must see that his performance of supervisory functions coordinates with the policies and procedures for the company as a whole. The basic functions of the controller as envisaged by Mr. Voorhies are summarized as follows:

> Accounting. Functions relating to the recording and protection, from a book standpoint, of the corporate assets; the recording of transactions as a basis for determining the corporate income, expense, earnings, income and excise taxes, surplus, and financial position; and the design installation, and custody of books, records, and forms.
>
> Interpretive. Functions relating to the preparation, analysis and explanation of financial, accounting, cost, and statistical results, as an aid to management in the direction of the business for obtaining credit or financial assistance; for reports to stockholders; or for other purposes of internal or external use.
>
> Auditing. Functions relating to the establishment of internal auditing controls; the objective verification of business, financial and accounting transactions; and the coordination of accounts and internal auditing procedures with the requirements of independent auditors.
>
> Tax. Functions relating to the assembling of information, and the preparation of returns for income and excise taxes, claims, and refunds; the discharge of income and excise tax liabilities; and the relationships with tax agents and auditors.
>
> Forecasting. Functions relating to the forecast of profits and income taxes as at future dates as a basis for cash, operating control, capital expenditure advertising, or other budgets; the retirement of debt; the improvement of financial condition; the expansion or contraction of the business or facilities; or for the purposes of management control.
>
> Economic. Functions relating to the development and maintenance of economic and statistical information, and the analysis or forecasting of volume, costs, profits, taxes, and financial position, in relation to past, present or future operations.

> In large companies, the controller, in many instances is charged with:
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> General administrative responsibility for centralized accounting and clerical services relating to payroll preparation and payment; stenographic and typing pools and duplicating services; receptionists and messengers; and the receipt distribution, and dispatch of mail; . . . communications systems, including telephone, telegraph, and teletype services and private wires.[10]

This list of functions compiled by Mr. Voorhies encompasses the majority of duties of a controller as set down by the Controllers Institute in 1949, as a guide for the eligibility of candidates for membership to that organization.[11]

The Metropolitan Life Insurance Company in 1947, conducted a survey on the functions of the controller as part of their policyholders service. As a result of this survey, they classified the functions of the controller under the major headings of control, interpretation, and coordination and planning.[12]

Under the control function, the controller as the chief accounting executive is responsible for furnishing to management the facts and information useful in controlling the operations of the business and producing satisfactory results. This involves the maintenance of the necessary accounts and records; the formulation and administration of accounting policies and practices, the preparation of financial statements and other control reports; the authenticating of all receipts and expenditures of money; the direction of

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[10]Voorhies, op. cit., pp. 27-28.

[11]Supra, p. 15.

[12]Infra., pp. 28-34.

the internal auditing activities, including the review of operations and procedures to determine that they are in accordance with company policies. The budget, as one of the most effective mediums of executive control, comes within the scope of the controller's responsibility. Frequently, this function carries with it the responsibility for all office management activities throughout the organization.

Interpreting the operating results as reflected in these records and reports as another important function. This must be done in such a manner that they may readily be understood by the board of directors and other executives' personnel and subsequently used as a basis for action. As analyzed by an official of one concern interviewed by Metropolitan during the survey:

> . . . the interpretation and analysis of accounting and statistical figures is by far the most important duty which any controller can perform. . . . The controller should advise and cooperate with the officers of the company and the department heads in all matters in which the accounts are the source of information or may be affected by action taken by officers and executives.

Among other things, it is within this function of the controller to keep in touch with changes in ethical standards, the effect of new legislation economic trends, trade practices, the rights of stockholders and the responsibilities of officers and directors. Clear disclosure of all the essential facts of the business, without prejudice, should receive his most careful consideration in formulating accounting policies and methods.

Under the third major heading, coordination and planning, the survey showed that although the coordination and control of the various activities of the business are primarily the province of the chief executive, he has come to

rely largely on the controller for the facts on which to base his decisions and policies. Since long term plans are frequently impracticable, information must be supplied in a timely manner so that changes, resulting from fluctuating conditions, can be put into effect without delay. In most companies, the controller is directly identified with the preparation and administration of the budget. His responsibilities may be limited to presenting the accounting fact on which the budget program is based; but in many instances he is responsible for its final drafting and subsequent administration. These activities have developed not only through his responsibility for all accounting records, but also because of his broad knowledge and contact with all phases of the business. This background frequently makes him better qualified than any other one executive to make unprejudiced analyses of departmental performance. The controller's relating of results to forecasts and his periodical analysis and criticism serve to furnish top management with a great deal of valuable information to be used as a guide for short-and long-term future operations.

Although there are general characteristics which are common to the position of the controller as previously noted, the detailed and specific duties performed vary in each organization. The functions and duties of the controller are affected by the special characteristics of each type of business, by the size of the company, by the geographical scope of its operations, by the organization structure in effect and by the personal qualifications of the controller himself.[13]

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[13]Metropolitan Life Insurance Company, Functions of the Controller (New York: 1947), pp. 18-20.

In a survey of members of the Controllers Institute conducted in 1958, by the Controllers Institute Research Foundation, the basic types of functions which were the direct responsibility of the control executive were determined on a composite basis. These broad classes of functions are accounting, office management and services, internal auditing, planning and budgetary control, credit management and control, procurement, and inventory management and control. It was noted that titles relating to credit management and procurement, inventory management and control occur with much less frequency than those which fall into the other broad functional classes. For purposes of this survey, on the questionnaire utilized a number of subclasses were set up in most of these broad functional classes. This was done to facilitate classification of the executive job titles which are under the direct supervision of the control executives. A listing of these gives a good picture of the many-faceted responsibilities of control executives who were active in the field at the time of the survey. The following listing under the broad functional classes are in order of relative frequency with which the manager for these sub-classes of functions reports directly to a control executive:

ACCOUNTING

General Accounting
Cost Accounting
Tax Accounting, Reporting
Sales or Revenue Accounting/Billing
Payroll or Other Personnel Accounting
Receivables, Payables, Disbursements
Capital Assets, Accounting and Control
Corporation Accounts, Records, Reports
Financial Accounting and Reports

OFFICE MANAGEMENT AND SERVICES

Office Management
Machine Accounting and Tabulating Service
Methods System and Procedures
Disbursements (Cashier, paymaster)

MANAGEMENT PLANNING AND CONTROL

Budgets, Budgetary and Cost Control
Forecasts, Long Range Plans

ALL OTHER

Physical Property and Plant Management, Maintenance, Protection
Insurance, Insurance Claims
Labor Relations, Contract Negotiations
Transportation, Traffic Management
Manufacturing Management, Production Planning and Control

From the above listing it is quite apparent that the core of the typical control executives' responsibilities is in the accounting, budgetary control, and planning aspects of management. The accounting responsibilities, especially, embrace both managerial and professional aspects. The key elements of these include the development, maintenance, and working of sound accounting systems and also the analytical and reporting phases as well. In addition, the control executive commonly has other highly diverse responsibilities. These range from office management and services to manufacturing management and control.[14]

"Ideal" Functions of the Controller

In Chapter II, the Controllers Institute's definition of controllership was given in the form of a concept of the function of controllership as

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[14]Herbert R. Klingman, "Profile of the Corporate Controller-Part II" The Controller, XXVI, No. 12 (December, 1958), pp. 592-593.

developed by Controllers Institute's Committee on Ethics and Eligibility Standards and approved by the National Board of Directors in 1949.[15] This concept, as initially stated, consisted of six broad functions, each packed with meaning. The first impression is that it covers an immense amount of territory but in the words of Richard L. Pierce, "careful thought usually makes it clear that nothing less complete will suffice."[16] In the following paragraphs, the interpretation of these functions as explained by Mr. Pierce will be summarized.

The first point in the institute's concept provides a plan for the control of the operations of the business. It is the function of controllership to establish such a plan and to coordinate and maintain it. It must be integrated so that all departments move harmoniously toward a predetermined objective. Such a plan requires cost standards, expense budgets, sales forecasts and all other techniques of planning. The controllership responsibility does not cease once the plan is launched, for it must also provide the necessary procedures to effectuate the plan. Mr. Pierce highlights the three words, "through authorized management" in the first point of the concept. He states that "this phrase is the keynote to effective controllership." It is interesting to note at this point that the phrase has now been amended to read "as an integral part of management."[17] This amendment was no self-aggrandizement on the part of controllers, but was rather the

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[15] Supra, p. 5.

[16] Pierce, op. cit., p. 420.

[17] "Controller Makes Bid for a Bigger Job," op. cit., p. 178.

acceptance of the larger role they are called upon to play. The operating plan cannot be the controller's plan but must be that of top and operating management alike. The controller will, however, need to sell, to explain, to teach, to urge those representatives of management at all levels who exercise line authority that the planning principle may be implemented and a well-planned organization emerge. In this regard, he must begin with the top executive for all systematic planning, and, therefore, scientific controllership begins at the top. Another innovation associated with this function is that techniques of planning are deliberately subordinated to the idea of the plan itself. These techniques when elevated to the field of controllership are the working tools of the trade and through their use an integrated plan for the control of operations is developed.

The second major function, measurement and interpretation, is packed with power. It is the power to clarify and strengthen the men who make the decisions but not the power of decision-making itself. This function assumes that the function under point one is set up and operating. Within this function falls the heavy reporting requirement. An important point in this respect is that the liaison of controllership and decision-making management cannot be maintained by sole reliance on periodic statements. It is the responsibility of controllerships to interpret these and other special reports for management to provide them with an understanding of the facts on which to base their decisions.

Again, the techniques such as cost systems and statement preparation are subordinated to the fundamental objective which is the measurement of performance against approved operating plans and standards, and the reporting

on an interpretation of the results of operations.

The controller has no responsibility to take any direct action when performance fails to conform to the approved plan. This is the job of the decision-making executives. The controller's influence in the matter is dependent on the clarity of his analysis and interpretation and his effectiveness in presenting the facts in such a manner as to impel the proper action. The modus operandi is "management by exception." When performance fails to conform to the approved plan, the pertinent facts are reported to all levels of management concerned. This provides the basis for changes in future performance or in the plan itself if it is found to be impossible of fulfillment.

The third major function of controllership is to measure and report on the validity of the objectives of the business and on the effectiveness of its policies, organization structure, and procedures in attaining those objectives. It is part of the controller's job to reduce the large mass of objectives, prevalent in most companies, to manageable proportions. This is accomplished by means of coordinated planning as an integral part of management. Included in the third function is the fact that it is also within his province to question the validity of that planning if it is determined in his judgment that it deserves questioning. As to the effectiveness of policies, organization structure, and procedures for the attainment of objectives, the controller must insist on the right to appraise. He must create universal recognition throughout the company of the idea that any phase of the operation of the business is his business. In summary, the controller must go further than determining that performance failed to meet the standard. He must also ask whether the standard itself makes sense and he must pursue that question

throughout the organization until the answer is clear to all concerned.

The fourth major function is to report to government agencies, as required, and to supervise all matters relating to taxes. In terms of immediate profit, the controller's responsibility in the area of government reporting and taxes demands a high priority on his time. This function frequently tends to occupy the spotlight to the exclusion of those which have already been described. The reporting to government, as required, implies a broad but not exclusive delegation of duty. Nearly every phase of a company's activities touches the exercise of government authority at some point. Executives other than the controller may be required to do some reporting of this nature. The controller should serve as coordinator on all such reports to insure consistency in reporting. The closer the subject matter to be reported comes to financial or accounting information, the more obvious it is under the purview of the controller and his staff to perform the task. Reports to the Securities and Exchange Commission; the Department of Commerce; and the Treasury Department are the traditional responsibility of the controller. This leads to the field of taxation in which the controller is recognized as the officer best qualified to do the job. In most instances, the controller assumes the tax negotiating job as well as other financial negotiations such as renegotiation and contract termination settlements. It is not only the task of controllership to scrutinize every contemplated move from the tax standpoint, but sometimes even to initiate thinking concerning possible operating decisions which may have tax benefits. The controller must create an atmosphere of tax consciousness in his organization and inculcate the broad outlines of tax philosophy among his associates.

The fifth major function is to interpret and report on the effect of external influences in the attainment of the objectives of the business. This is one function that has not historically fallen under the control executive and it does not imply that the controller should be the sole functionary in the field. The point here is that regardless of the work in this line done by other elements of business, controllership must accept the assignment of interpreting and reporting on the effect of external influences on the attainment of the objectives of the business. An examination of the controller's other responsibilities makes it evident that they cannot be discharged effectively without continuously appraising the influence of the changing economy and the basic social and governmental evolutions.

The sixth and final function initially issued by the institute is to provide protection for the assets of the business. This includes establishing and maintaining adequate internal control and auditing, and assuring proper insurance coverage. Regardless of who buys the insurance, it is essential that the controller be given the latitude required to make an independent judgment as to the insurance needs of the company. If the insurance is inadequate, he must insist that the defect be remedied. Much of the procedure required for proper internal control will be found within the controller's own organization, but in addition it should be the functional responsibility of the controller to establish internal control procedures for all departments having assets of the company. Internal auditing is an extension of the techniques of internal control and should be in the sphere of controllership activity. The broad responsibility of providing protection of the assets of the business demands

the careful attention of the controller as well as a fair share of his administrative time. The use of insurance consultants and public accountants will frequently make it possible to effectively carry on these functions in a minimum of time thereby leaving the remaining time to pursue the other important services described under the other five points in the institute's concept of controllership.[18]

The preceding summarization of the meaning of the institute's concept of controllership represents an ideal group of functions from the standpoint of the control executive regardless of his title.

The Controller's Position in the Organization

As indicated previously in this paper, the control executives in industry have a wide variety of titles such as vice president-controller, vice president-finance, controller and treasurer.[19] The actual difference in position and function is more apparent than real and depends on the size, complexity and nature of the individual business.

The status of the control executive within his organization, regardless of his title, must be such that the principle he embodies may be given full expression. Because it became apparent that the proper organization status of the controller needed to be stated, the Controllers Institute of America undertook the task of constructing such a statement by referring it to the Committee on Ethics and Eligibility Standards. The statement which the

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[18]Pierce, op. cit., pp. 420-425.

[19]Supra, p. 12.

committee evolved and the board of directors accepted is as follows:

> 1. The controller should be an executive officer at the policy-making level responsible directly to the chief executive officer of the business. His appointment or removal should require the approval of the Board of Directors.
> 2. The controller should be required by the Board of Directors to present directly periodic reports covering the operating results and financial condition of the business together with such other information as it may request.
> 3. The controller should preferably be a member of the Board of Directors, and all other top policy-making groups at a minimum, he should be invited to attend all meetings of such groups with the right to be heard.[20]

It is evident that not all controllers are discharging fully the proper functions of controllership and also that their position in the organization does not put them in a position for the ideal relationship to the chief executive officers and board of directors of their companies.

A survey conducted by the Controllers Institute Research Foundation in 1958, showed conclusively that the control executive, particularly the company control executive, was in the top management lineup. The executive or group hiring a person to fill a certain executive position, such as the controller, in an organization is a significant clue to the importance of the position. The survey showed that the preponderant majority of company control executives were hired by (a) the board of directors or board of trustees, the duly constituted and legally recognized top management unit of a company; (b) the chairman of the board or the president of a company; and (c) a combination of the two. The survey further showed that the control executive is, in general, directly responsible to the top executive officer of his organization and/or the

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[20]Pierce, op. cit., p. 425.

top management groups. Relative to functional lines of responsibility, the survey showed that forty per cent of the respondents to the questionnaire reported that they had no designated functional responsibility to other executives. Some indicated, however, that they considered close cooperation with other executives inherent in controllership and an integral part of their operation.

The situation relative to the division control executive differs materially from the company control executive. Only thirty-three per cent of division, branch, plant, or works control executives were hired by the board of directors, a management committee, or the president of the organization. The pattern of lines of direct responsibility upward for the control executives in this group is consistent with the types of executives who hire them. Almost eighty-seven per cent of the divisional control executives reported one or more executives to whom they were functionally responsible. They are most frequently responsible to the chief company control executive, with the exception of the divisional treasurers who are functionally responsible to the company president or board chairman.[21]

Organization Relationships

One of the major objectives of business organization is to establish clear and definite relationship between the executives constituting the company management. The controller has relationships with all levels of the business organization, including the stockholders, by the manner in which he prepares and

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[21]Klingman, op. cit., pp. 567-570.

interprets financial statements. His contacts with stockholders are normally indirect and stem largely from his function of preparing the statements and data in the annual report.

In some companies, the controller reports to the board of directors through the president, but he may be called into board meetings, if he is not normally in attendance, to clarify certain points in connection with finances. Other companies have the provision that the controller has the right of direct access to the directors. This right is not exercised normally except with the approval of and as an aid to the president. This right is useful, however, in the extreme situation where the controller considers the president guilty of improper conduct. The institute's survey noted previously showed that approximately twenty-four percent of the control executives reported directly to the board of directors.[22]

While there are still some instances in which the treasurer's and controller's functions are combined or one reports to the other, these circumstances are becoming less frequent. Even though the two positions are separate and distinct, there is a need for close and continuous coordination. Frequently, both executives report to a common superior, commonly known as a financial vice president. The separation of duties between the treasurer and controller varies depending on the individuals concerned and the circumstances peculiar to a particular situation.

The relationship of the controller to other functional and operating executives is one of cooperation, consultation, advice, and assistance. Other

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[22] Ibid., p. 569.

executives look to the controller for the preparation and interpretation of control information which they need to direct operations of their respective departments. As previously mentioned the controller's job requires him to inquire into every phase of the business.

Where committees are used in a company, the controller customarily has an important place on them. This is because of his specialized knowledge and viewpoint that he can bring to such groups. Among the committees of which the controller may be a member are executive and finance committees, management committee, budget committee, planning committee, pension board, new products committee, personnel committee, insurance committee and many others.[23]

As stated at the beginning of this chapter, "though there may be differences of opinion as to any exact or precise definition of the controllership function, as to the fixing of its limitation, and as to the proper outline of its subfunctional relationships, there can be no doubt that its principal purpose in a business organization is to aid management."[24]

The controller's contribution to management is summarized as follows:

> First, he brings to his partners on the management team facts and information useful in making decisions and controlling the operations of the business. He presents the pertinent facts and figures focused on the problem and expressed and interpreted in management terms.
>
> Second, he brings his knowledge of all the departments of the business and its over-all objectives to bear on the group solution of the problem.
>
> Third, he brings the tools for coordinating and planning business operations. He becomes the chief executive's backstop, supplying the information by which the president exercises his coordinative function.

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[23] Metropolitan Life Insurance, op. cit., pp. 11-15.

[24] Supra, p. 15.

Fourth, he brings the tools for appraising and checking performance.[25]

From the foregoing it is apparent that the controller can contribute heavily to the management process.

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[25]T. F. Bradshaw, Developing Men for Controllership (Cambridge, Massachusetts: Harvard University Printing Office, 1950), p. 216.

CHAPTER III

QUALIFICATIONS AND TRAINING FOR CONTROLLERSHIP

From the many and diverse functions, responsibilities, and duties of the modern controller, as presented in the previous chapter, it is apparent that he must be an executive of many skills and abilities to be successful. The characteristics, qualifications, education and development of the controller are discussed in this chapter.

Characteristics and Qualifications

In discussing the kind of traits necessary for an individual to best perform the control function, T. F. Bradshaw makes the point that listing of requisites for successful performance of the figure function to be most useful should differentiate between personality traits on the one hand and "teachable" skills and abilities on the other. With such a listing, companies would know what personality traits to look for when hiring young men for work in the figure area. They would also know what teachable skills and abilities should constitute the objectives of a training program. Mr. Bradshaw further makes the point that no such clearly drawn lines exist among the factors that make up human personality. He attempts to make a separation of the personality traits and teachable skills in the following lists based on his observations. The first list is based on the question of what are some of the necessary basic

"personality" traits that a person should have for the control function, and is as follows:

> 1. An orderly mind which seeks causes and can find a pattern of meaning in a mass of facts.
> 2. Perspective to distinguish the important from the unimportant; perspective to view the operations of each department in relation to the whole business and the operation of the business against the industry or the economy.
> 3. An objective mind which can evaluate the various conflicting forces within a business.
> 4. Patience to build a foundation of facts and figures for each business problem; patience to persuade and indoctrinate rather than to order.
> 5. A personality which inspires confidence in people A personality which enjoys meeting and working with people.
> 6. A high degree of salesmanship to sell the tools of control to operating departments.

Mr. Bradshaw points out that the foregoing list is far from definite, but suggests the kind of objectives that may be helpful in selecting men for the figure function.

In answer to the question, "What skills and abilities seem to be important to effective performance of the figure function?" Mr. Bradshaw comes up with a list more definite than the first. This is because it evolved more directly out of the observations of how the controller performs his job. The answers to the question are as follows:

> First, the controller should have a knowledge of the functioning of all departments of his company, their interrelationships and objectives, a knowledge of control points and figure needs throughout the organization.
> Second, he should have "administrative" ability -- the ability to get things done through people.
> Third, he should have specialized skills and knowledge of accounting, statistics and other figure know-how.[1]

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[1]T. F. Bradshaw, Developing Men for Controllership (Cambridge, Massachusetts: Harvard University Printing Office, 1950), pp. 18-19.

Mr. J. B. Heckert and J. D. Wilson in their book on controllership summarize the qualifications of the controller as:

1. A general understanding of the industry of which his company is a part and of the social, economic, and political forces directly related thereto.
2. A thorough knowledge of his own company, its history, policies, program organization, and, to a considerable extent, its technical operations.
3. An understanding of the basic problems of organization, planning and control.
4. An understanding of the basic problems of production, distribution, finance, and personnel management.
5. The ability to analyze and interpret accounting and statistical data in such a manner that they become a basis for action.
6. The ability to express ideas clearly in writing (and in proper English).
7. A thorough knowledge of accounting principles and procedure and the ability to direct statistical inquiry.

If the above qualifications are coupled with a reasonable amount of tact, constructive imagination, and initiative and a spirit of fairness, helpfulness, and sincerity, the controller will have no difficulty in developing his function to its full importance. Other qualities, essential to the work of other executives as well as controllers, nonetheless of tremendous value in controllership, are the ability to get along with people, the ability to exercise unlimited patience, the ability to respect other men's ideas and opinions, and the practice of thinking problems through to the end.[2]

In reference to technical qualifications, the comptroller and his department must be competent to function over a fairly wide field. Accounting, itself, covers only a portion of the field -- the comptroller must also be well

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[2]J. B. Heckert and J. D. Wilson, Controllership, the Work of the Accounting Executive (New York: The Ronald Press Company, 1952), pp. 12-13.

qualified in the business he is to serve. He must be able to converse intelligently on the production problems, the distribution methods, and the financial programs of his business and the industry or trade of which it is a part. If, in addition, he has an intelligent, workable understanding of the broad sweeps of the business cycle and its effect upon our economic system he can become an indispensable member of the top management groups.

To be accorded membership in the top zone of the management groups, the controller must demonstrate the abilities and high qualities of business leadership expected of successful executives. Some of these qualities are enthusiasm, unquestioned integrity, a sense of purpose and direction, technical efficiency, loyalty, and friendliness. Four characteristics or qualities are fundamental to successful controllership. These are as follows: (a) the comptroller must be objective in all his work; (b) he must be tactful and cooperative to the highest possible degree; (c) he must possess good judgment; and (d) he must have the quality of being firm, and at the same time of not being overbearing.[3]

Since the work of the comptroller includes the recording of the activities, and the summarizing and interpreting of the results of all departments or divisions of a business, it is imperative that these records deal with facts and conditions and not with personalities. It is not the position of the comptroller to criticize or to comment upon the persons serving these departments and performing the work. He should as a result of his

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[3]J. Hugh Jackson, The Comptroller: His Functions and Organization (Cambridge, Massachusetts: Harvard Press, 1949), pp. 49-50.

observations and knowledge certainly point out unfavorable conditions or personnel weaknesses and thereby have a very definite influence on the operating efficiency and results of his organization. Even in doing this, he should be objective and impersonal if he hopes to have the greatest influence in the management of the enterprise which he serves.

Unless the comptroller is both tactful and cooperative, he is bound to create hostilities throughout the business organization. Not only does his work cut across the lines of other departments but in some instances there is opposition to the comptroller's function by the treasurer and operating officials. Toward these officials the comptroller's attitude must be one of genuine helpfulness to obtain the best results for the business as a whole.

One of the major tests of an executive is his ability to exercise sound judgment. On every hand there are important decisions to be made and the ability to make sound and prompt judgments will prove to be one of the comptroller's foremost assets and most valuable acquisitions.

The comptroller needs the executive quality of being firm, but at the same time, he must guard against becoming arbitrary and overbearing. He must impress his colleagues as being human in every respect and sympathetic though still firm, but at the same time avoid any idea that the comptroller is the strong man who dominates and domineers and thinks that control means a bludgeon. His control should be directed toward being helpful to every executive by enabling him to do a better job for his organization.[4]

Mr. David R. Anderson, in writing on the basic qualifications that make for successful controllership, stated that it is difficult to define these

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[4] Ibid., pp. 50-53.

qualities precisely, and that any summary of them is necessarily an over simplification, but broadly speaking, they fall into the following four main categories:

> 1. Technical competence -- that is a high degree of intellectual capacity, plus that "figure sense," which is so difficult to define and yet so easily recognized, both fully developed by training and experience in accounting theory and practice. Familiarity with established techniques is, of course, a factor in technical competence, but real competence also implies judgment and imagination in applying techniques to practical problems of all degree of complexity and expertness in the analysis and interpretation of information taken from the accounts.
> 2. The faculty of cooperating with, and enlisting the cooperation of other individuals at all levels in the executive organization. The basis of this faculty is an intuitive or acquired understanding of people and of the forces which motivate people's actions.
> 3. Emotional stability and evenness of temperament, manifesting itself in objectivity, patience and the ability to stand up under the pressure of difficult technical and human problems.
> 4. The "inner drive" which gives an individual an intensive interest in his work and compels him to unremitting effort in the development and use of his talents and abilities.[5]

A number of these qualities are essential, or at least helpful, to executives in other fields of business activity other than controllership. It could be said that, excluding the technical competence required, this list of qualifications would be applicable to any executive position. Because of the fact that controllership is essentially a service function, reaching out into all departments and touching all executive levels makes it of particular importance for the controller to develop these executive qualities to an

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[5]David R. Anderson, "Controllerships Contribution to Executive Management," Controllership in Modern Management, ed. by T. F. Bradshaw and C. C. Hull (Chicago, Illinois: Richard D. Irwin, Inc., 1949), pp. 108-109.

unusually high degree.

The following are seven characteristics of a man who meets an executive job profile:

1. He must have a complete understanding of the basic principles governing the industry in which his particular organization is engaged.
2. He must have the ability to make a positive evaluation of data accepted as a guide to decision or action.
3. He must have a sense of social as well as economic responsibility.
4. He must take responsibility for a plan to develop his business and to develop the employees within the organization.
5. He must have the courage to carry out the developed plan to its ultimate goal.
6. He must promote constant research into the product or service of his organization.
7. He must determine his own net worth by constant comparison with past, present and future objectives.[6]

Although the foregoing characteristics are not directed at the controller per se, they appear to be appropriate since he does fall into the executive category.

In 1954, the American Management Association completed a survey of management development. Among other questions in the field interviews, the respondents were asked to describe briefly what the company considered to be the attributes and capabilities of a well developed top management man. In order of frequency the following are the chief top-management attributes and capabilities mentioned by the interviewed companies:

1. Leadership.
2. Character-integrity.
3. Ability in human relations.
4. Emotional stability or maturity.
5. Intelligence or mental ability.

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[6]R. J. Greenly and E. B. Mapel, "The Trained Executive: A Profile," The Development of Executive Talent (New York: American Management Association, 1952), p. 24.

6. Ability to inspire or influence.
7. Administrative or managerial ability.
8. Ability to get along with people.
9. Operating or technical ability.
10. Health.
11. General education.
12. Ability to express self orally.
13. Ability to teach or develop subordinates.
14. Ability to express self (in general).
15. Energy -- drive.
16. Ability to express self in writing.[7]

Dr. Joseph L. Krieger, part-time Professional Lecturer in Business administration at The George Washington University, completed in 1956 an extensive survey on "Critical Elements of Executive Leadership and Development." One hundred and ten national authorities completed a fifteen page questionnaire sent out by Dr. Krieger entitled, "Check-List on Effective Executive Performance and Executive Success." Among the 110 who cooperated by answering the extensive questionnaire were Colonel Lyndall Urwick, international management consultant; Robert Lovett, former Secretary of Defense; Frank Pace, president of General Dynamics; John B. Joynt, vice president of management planning, New York Central Railroad and Chairman of the Board of S. A. M.; Don G. Mitchell, president of Sylvania Electric Products and chairman of A. M. A.; John Zehntbauer, president of Jantzen; and the Honorable Meyer Kestenbaum, special assistant to President Eisenhower, and president of Hart Schaffner and Marx.

One of the ten significant issues of the survey was executive ability and personal characteristics. The highlights of the findings on this issue

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[7]Joseph M. Trickett, A. Survey of Management Development: The Quantitative Aspects (New York: American Management Association, 1954), pp. 42-43.

pointed up ten significant executive abilities and personal characteristics which should be especially considered in developing executive capability, which are:

1. Leadership (Ability to lead, inspire and motivate subordinates).
2. Integrity (The thing that makes people trust you).
3. Intelligence (Knowledge and ability to apply knowledge).
4. Use of good judgment and know-how to make decisions (Willingness and ability to make decisions when necessary and accepting responsibility for such decisions).
5. Initiative (Drive, energy, willingness to go out on a limb).
6. Know-how to develop subordinates and stimulate them (Ability to develop confidence -- has trust and confidence of subordinates).
7. Analytical and reasoning and problem-solving ability (Flexibility of mind, thinks clearly and reviews pertinent facts).
8. Know-how to stimulate teamwork for the good of the organization (Knowledge of applied human relations -- gets along with people -- enlists cooperation and support readily).
9. Emotional stability (Self-control -- faces responsibility calmly -- stands up under fire when things go wrong).
10. Courage (Endurance and tenacity of purpose).[8]

The preceding discussion of characteristics and qualifications for controllership as presented from six different sources indicated that these qualifications are many and varied. They consist of technical qualifications, personal characteristics and executive characteristics. No two of the presentations are alike nor are the listed qualifications and characteristics the same for any two. The two referenced surveys which should, no doubt, carry the most weight of the previous presentations, are those of Dr. Krieger and the American Management Association. Of Dr. Krieger's first ten attributes and capabilities as derived in his survey, seven were also duplicated in the American Management Association's first ten capabilities. The other three were

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[8]Joseph L. Krieger, "Critical Elements of Executive Leadership," Advanced Management, 23, No. 6, (June, 1958), p. 9.

not listed in the American Management Association survey. From the preceding paragraphs it is apparent that some of these capabilities and skills can be developed. The next portion of this chapter will deal with the formal schooling for controllership prior to entering the business world.

University and College Education for Controllership

"Education for the professions has become recognized as virtually the only acceptable path to competence in those vocations."[9] As more and more specialties of human activity, such as controllership, assume the dignity and the title of a profession, preparation for such activity becomes formalized in suggested or required programs of study.

Controllership has reached a stage of maturity where systematic preparation is a possibility; however, there is no universal agreement on the methods and content of such preparation. In general, however, the program of preparation should include the necessary foundation of essential skills plus an understanding of the business and the society which the prospective controller expects to serve as a professional man.[10]

The scope of education for controllership covers three broad areas. The first is the field of techniques or skills which the controller needs in order to carry out his responsibilities. The second area is the broad background of information and understanding which will enable the controller to

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[9]Richard L. Kozelka, "Education for Controllership," Controllership in Modern Management, ed. by T. F. Bradshaw and C. C. Hull (Chicago, Illinois: Richard D. Irwin, Inc., 1949), p. 167.

[10]Ibid., p. 168.

utilize his skills with maximum effectiveness. The third area is the sphere of internship or cooperative training. The first two areas will be considered at greater length.

The first and most obvious sphere of training for controllership is in the field of techniques of business operations, but controllership requires more than proficiency in this area. First and foremost of the skills for the controller is a thorough groundwork in accounting. The emphasis here should be on the "whys" of the accounting process, the logic of accountancy, without losing sight of the dangers of rigid and unrealistic thinking. The specific areas in accounting which should be covered to prepare for the responsibilities and duties of controllership are: accounting analysis beyond the elementary stage, auditing, budgeting, income tax accounting, and cost accounting methods and principles. A second field of technical skills required by the prospective controller is statistics which is closely related to accounting. A knowledge of organization and structure of the business unit and of the national economy is also desirable for the controller. Other desirable technical skills include office management, industrial relations, an understanding of short-term and long-term financing, and business law.

In addition to the wide variety of technical skills required by the controller, his wide range of responsibilities requires a broad background. The educational preparation for the background necessary for the goals of controllership closely resembles that which is necessary or desirable for any of the traditional professions. In some respects, it resembles the goals of general education or training for citizenship. Some of the courses suggested

by Mr. Kozelka for obtaining the broad background include English, speech, writing, history, sociology, political science, philosophy, psychology, economics, marketing, insurance, finance and production management.[11]

Dr. C. W. Bastable, Associate Professor of Accounting, Graduate School, Columbia University in writing on the preparing of students for controllership made the following remarks:

> . . . a curriculum for controllership should provide no more accounting than is necessary to provide a solid foundation. It would include elementary and advanced accounting; cost accounting; income tax accounting, and possibly one semester of auditing. In making the most of a student's limited time there would be no room for specialized courses with a highly vocational flavor. Courses in finance; marketing; industrial relations; insurance; business law; management and statistics would be far more important in developing desired breadth of interest.[12]

An ideal curriculum for industrial controllership according to Douglas L. Hamilton, controller of Home Electric Corporation, a division of Sylvania Electric Products, Inc., would certainly include:

1. Accounting (general and cost).
2. Systems for both Office and Factory.
3. Integrated Data Processing -- High Speed Computer Familiarization.
4. Industrial Engineering Principles.
5. Marketing Research.
6. Economics (including economic cycles and trends).
7. Finance.
8. Taxes.
9. Commercial Law.
10. The art of Getting Things Done through People.
11. Business Organization and Planning.
12. Business Management.

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[11] Ibid., pp. 172-180.

[12] C. W. Bastable, "Preparing Students for Careers in the Controllers Department," Controllership and People (New York: Controllers Institute of America, Inc., 1956), p. 29.

13. Psychology.
14. Report Writing -- Theme Writing.
15. Business Math -- Advanced Math.
16. Operations Research.[13]

Dean J. Hugh Jackson, Graduate School of Business, Stanford University, is of the opinion that the ideal education for controllership should consist of four years of engineering or liberal arts as a foundation, to be supplemented by two years of intensive graduate or professional study in business. Since many young men cannot spend more than four years in college, something less than the ideal program is the usual case. For the four year program, the first two years should relate to broad, general education consisting of courses in modern science, mathematics, history, economics, psychology, writing and oral English.

In addition to broad basic training, the prospective controller must possess a basic knowledge of all the major functional fields. He should have fundamental courses in production, in the various phases of distribution in banking and finance, in personnel and industrial relations, and the like. In addition, he needs background courses in business law, applied psychology, economic aspects of the enterprise system and persuasive communications. The training in accounting should include accounting principles, cost accounting, budgeting, auditing and income taxation. Along with his specialized knowledge in accounting and the more generalized knowledge in the other functional fields, the student preparing for a career in the field of controllership should also obtain a good working knowledge of statistics which in many ways is closely

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[13]D. L. Hamilton, "The Changing Role of the Controller," The Journal of Accountancy, 109, No. 1 (January, 1960), p. 55.

related to accounting.[14]

Arthur B. Toan, Jr. of Price Waterhouse and Company, writing on the subject of the coming demands on controllership said that given the limitation of four years a college education for controllership should be essentially an education for business. He believes in an education which mixes the values of liberal arts with the values of a practical education for business. He combines the two in the following curriculum:

Oral and written expression	6
Statistics, Algebra and Calculus	12
General and cost accounting	18
Financial principles and techniques	6
Manufacturing methods and principles	6
Marketing methods and principles	6
Long and short range planning	6
Management organization and control	6
Business law	6
Principles of economics	6
Government and politics	6
Psychology of groups	6
Psychology of change	6
Liberal arts courses not listed	6
	120

Approximately fifty per cent of the total hours would be found to fall in the liberal arts field. Mr. Toan is obviously an advocate of a broad and basic education for the prospective controller.[15]

The preceding comments taken from the writings of some of the authorities in the field of controllership have several things in common.

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[14]J. Hugh Jackson, "Controller Education," The Controller, XXII, No. 12 (December, 1954), pp. 567-569.

[15]D. L. Hamilton, "The Changing Role of the Controller," The Journal of Accounting, 109, No. 1 (January, 1960), p. 55.

First, all of them point up the requirement for training in the technical skills such as accounting and statistics. Secondly, they all emphasize the necessity for a broad educational background which resembles, to some extent, a general education. The idea of a broad and liberal education for controllers is not peculiar to the field of controllership. The present trend of thinking is in the direction of this type of education generally for all business executives.

One of the general sessions at the Annual International Conference of Controllers Institute in 1960, devoted itself to the problems of business education, with appraisals and projections by Thomas H. Carroll, vice president, Ford Foundation, Richard Donham, dean of the school of business, Northwestern University, and Hans C. Todt, comptroller, Bristol Laboratories Division of Bristol-Myers Co., Syracuse. Mr. Carroll predicted a substantial movement toward less specialization in business education in the sixties. "The tendency," he said, "is to substitute a few basic courses dealing with broad areas of managerial decision for the multiplicity of specialized courses. Courses in administration, economic analysis, and quantitative methods form the essentials of the new curriculum." Mr. Carroll explained that quantitative methods subsume separate courses in accounting, budgeting, forecasting reporting statistics, quality control recording and operations research. Mr. Carroll further stated:

> It should be a truism that all undergraduate programs concern themselves with providing a liberal education. It is the conviction of my colleagues at the Ford Foundation and myself that this aim can be approached creatively either in a liberal arts college or a professional school of business. . . . The how-to-do-it approach is being abandoned. Instead, the emphasis is placed on providing training in the fundamental analytical tools that are essential to the solution of a wide variety of business problems.

This concept was endorsed by Dean Donham, who said:

> Education for tomorrow must place emphasis on the development of students thought processes -- because what we know now will prove to be false, obsolete or otherwise insufficient. What is required is education in the liberal tradition, which has been defined as the fostering of a spirit of inquiry, the cultivation of judgment and imagination; human feeling; a high code of personal performance based upon an appreciation of human potentialities, and a capacity for human growth.
>
> There are some generalizations concerning business education for the future on which most of us can agree: (1) It should be for the future and not for now; (2) it should be broad and liberal at the base; (3) it should build a bridge between the liberal studies, including mathematics and sciences, and the action oriented field of business; and (4) it should postpone a study in depth of any specialized field until postgraduate years.[16]

In 1959, the results of two major studies of higher education as a preparation for business carriers in the United States were published. The Ford Foundation financed one of these studies, which was published under the title, Higher Education for Business. This report was written jointly by Professor Robert Aaron Gordon of the University of California and Professor James Edwin Howell of Stanford University. The other study sponsored by the Carnegie Corporation of New York was written by Professor Frank C. Pierson of Swarthmore College and entitled, The Education of American Businessmen: A Study of University-College Programs in Business Administration.[17]

A summary review of the Gordon-Howell and Pierson studies of business education was made by Leonard S. Silk, senior editor, Business Week. According to him, both reports are sharp indictments of the general state of business education in the United States. The criticisms in the reports are aimed at the

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[16]"The Problems of Business Education," The Controller, XXVIII, No. 12 (December, 1960), pp. 584-585.

[17]Leonard S. Silk, "The Education of Businessmen," Supplementary Paper No. 11, Committee for Economic Development, (December, 1960), p. 7.

bulk of the business schools and of departments and divisions of business administration in liberal arts colleges. They find business education suffering from an inter-related set of deficiencies: low academic standards, low admission requirements, low calibre students, inadequate facilities, superficial teaching, excessive vocationalism, and a proliferation of specialized courses that have no place in colleges or universities, and a consequent crowding out of the liberal arts and sciences, a neglect of research and a general atmosphere of stagnation and directionlessness.[18]

Both the Gordon-Howell and Pierson reports proposed solutions for the faults they found in business education. With only minor differences of emphasis, the two studies conclude that:

1. Academic standards in the business schools and departments must be raised materially.

2. Admission requirements should be increased.

3. Business curricula must be pruned to reduce vocationalism and overspecialization.

4. At least fifty per cent of undergraduate programs in business should consist of courses in the liberal arts.

5. Undergraduate education should put stress on foundation courses.

6. Graduate programs leading to the master's degree should preferably be two year programs oriented professionally rather than academically.

7. Improving and expanding doctoral programs is the most important requirement for improving the whole field of business education over time.

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[18] Ibid., p. 15.

8. The quality of business research must be greatly improved.

9. The focus of business studies should be upon "managerial decision making," with emphasis upon the application of scientific knowledge to business problems.

10. Diversity, flexibility and experimentation are essential to developing programs to solve the many problems facing business administration.

11. The problem of improving higher business education is closely linked to the general problem of improving higher education in the United States.[19]

Both reports place great emphasis on courses in liberal arts. They point out that a college education should serve the lifetime interests of students. For the long haul, the qualities most needed in business are analytical ability and balanced judgment, vigor of mind and of imagination, an ability to communicate ideas, an understanding of men, and of the social and economic forces of our time. College cannot give a man these traits but it can help him to learn how to acquire these traits over the years. That is the aim of a liberal education which every businessman should have. Each report has a suggested undergraduate curriculum which is shown in Table 1 for the Gordon-Howell report and in Table 2 for the Pierson report. Apart from the differences in the allocation of time, the reports have a strong resemblance in recommending an augmented program in the humanities, mathematics, statistics, economics, and the social sciences, a stripped-down program in the functional business subjects

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[19] Ibid., pp. 29-35.

TABLE 1

SUGGESTED UNDERGRADUATE CURRICULUM -- GORDON-HOWELL REPORT

Subject		Semester Hours
General Education		
Humanities and fine arts		24-27
English language and literature	12-15	
Humanities and fine arts electives	12	
Natural sciences and mathematics		12-24
Mathematics	6-12	
Natural sciences	6-12	
Behavioral-social sciences		24
Behavioral sciences	6	
Economics - elementary	6	
Other social sciences	12	
Total general education component		60-75
Business Studies		
Organization theory and management principles		6
Market environment and functional management		9-15
Finance		
Marketing		
Industrial relations		
Human relations		
Production or operations management		
Information and control systems		9-12
Managerial accounting		
Statistical analysis and related topics		
Advanced economics		6
Aggregative economics		
Managerial economics		
Legal environment of business		3
Integrating the management viewpoint		3
Business policy		
Field of concentration		6-12
Total business studies		42-57
Total semester hours		102-132

TABLE 2

SUGGESTED UNDERGRADUATE CURRICULUM -- PIERSON REPORT

Required subjects and limited-choice electives	Semester Hours
General foundation Subjects:	
Humanities	18-21
Engligh literature and composition — 9	
One or two other humanities (e.g., either in foreign language or in philosophy, etc.) — 6	
Advanced elective in one of above — 3 or 6	
Mathematics-Science	21-24
College algebra-trigonometry-geometry — 6	
Calculus and finite mathematics — 6	
Laboratory science (physics, chemistry, etc.) — 6	
Advanced elective in one of above — 3 or 6	
Social sciences (excluding economics)	21
History — 6	
Political science — 6	
Behavioral science (psychology, sociology, etc. — 6	
Advanced elective in one of above — 3	
Total semester hours outside business and economics	60-66
Business foundation subjects	27-30
Principles of economics — 6	
Economics of the firm (microanalysis) — 3	
Economics of money and income (macroanalysis) — 6	
Quantitative methods (accounting-statistics) — 6	
Advanced elective in quantitative methods — 0 or 3	
Political and legal factors in business — 3	
Organization and human behavior — 3	
Functional business subjects	27
Personnel management — 3	
Production management — 3	
Finance management — 3	
Marketing management — 3	
Business policy and social responsibilities — 6	
Studies in major subject (exclusive of work in business foundations and functional subjects) — 9	
Electives (no more than one major subject)	0-6
Total semester hours in business and economics	54-73
Total semester hours required for graduation	120

and a few broad courses in business policy principles and organizational theory. Both curriculums have sufficient hours set aside for the required technical training in the major field depending on which area is to be followed. These hours would most likely be utilized toward additional accounting courses required for the controllership function over and above those normally required of other business students.

The desirability of a liberal education for business training in general and controllership in particular leaves the prospective student in somewhat of a dilemma. The editors of Harvard Business Review put the problem of educating tomorrow's executives in review by surveying a representative cross section of their readers. One of the questions which they were seeking an answer to, although not posed directly, was: "Does business pay mere lip service to the liberal arts, praising the generally educated man on one hand while hiring the business specialist on the other hand?"[20]

The results of the survey indicated that executives seemed unaware of the ambivalence in their attitudes toward liberal education. At one moment, they praise liberal arts as the only way to begin the proper education of future top executives. Yet when they were given a choice between particular courses that an embryonic business man should take in college, they consistently selected the practical vocational courses over the arts and sciences. The latter circumstance also prevailed when recruiters were in the field in search of persons to hire. The business specialist was generally the person these recruiters were looking for and not necessarily the generally educated man.

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[20]"Educating Tomorrow's Executive," Harvard Business Review, 38, No. 6 (November-December, 1960), p. 180.

Part of the ambivalence of executives on this point stems from their recognition of the hard fact that a specialty will help a man get his first job. Yet their experience urges them to state that this is not enough for a man who wants to reach the top in tomorrow's business world.[21]

The foregoing findings would lead a prospective controllership student to become proficient to a relatively high degree in one of the techniques of business to enable him to have some of the qualifications which are, initially, most easily and promptly saleable. Along with this, he should follow the path of liberal or general education to provide a background for progressing up the ladder of controllership.

Executive Development

Education for the controller or any other executive does not end with college -- it merely begins there.

Dr. Floyd A. Bond, director of the Business Education Division of the Committee for Economic Development, strongly supports this statement in saying:

> The most characteristic thing about a top executive, in my judgment, is that he has continued to grow and develop throughout his life. The biggest mistake any young man can make is to assume his education is complete upon graduation -- no matter how good his college training has been. Formal education should provide him with a firm foundation and an expanded capacity for growth. And continue to grow he must if he is to reach the top; there is no room at the top for deadheads.[22]

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[21] Ibid., p. 182.

[22] Ibid., p. 186.

The subject of executive development itself is a large subject which would be a broad subject for any thesis. Much literature has been written about it, and the intention here is to only mention briefly the necessity of such a program for the development and advancement of the controller after employment.

There is no single executive development method or technique which can be considered the most effective. Various methods and techniques should be used as parts of an integrated and well-balanced program. Basically, techniques used should aim at providing executive personnel with opportunities for broadening and developing perspective required for improving job performance.[23]

An executive development program should include both middle and top-management personnel. It should not be a one-time affair, but instead should be a continuing effort backed by active top management support and a qualified personnel staff. Emphasis should be placed on the recruitment, development and retention of junior executives in order to insure perpetuity of an organization.[24]

The following composite list reflects the major executive development program elements.

1. Group training -- classroom type instruction including lecturers, discussions and demonstrations (e.g., as at I.B.M., Johnson and Johnson, R. H.

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[23]Joseph L. Frieger, Principles and Problems of Executive Leadership (Arlington, Virginia: Universal Printers, 1956), p. 166.

[24]Krieger, "Critical Elements of Executive Leadership and Development," op. cit., p. 9.

Macy, and many federal agencies).

2. On-the-job training -- management conferences, use of staff meetings, observation and coaching or day-to-day guidance by superiors (e.g., at Caterpillar Tractor, General Foods).

3. Job rotation -- both functional and cross functional (e.g., at Consolidated Edison and each of the military services).

4. Understudy method -- including assistant-to positions and use of vacation replacement (e.g., at Creol Petroleum, Ohrbach's affiliated stores).

5. Management appraisal (e. g., at Detroit Edison, American Enka, General Foods).

6. Multiple management -- use of Junior Boards, Salesboards, Factory and other Boards (e.g., at McCormick, Industrial Tape).

7. Management apprenticeships or other types of junior management development (e.g., at General Electric and many federal agencies).

8. Executive inventories and reserve pools of executive potential -- establishing a reserve supply of future executives (e.g., at Sears, Roebuck, General Motors, Kappers).

9. Use of local (and out of town) universities -- including development of special tailored courses, regular course offerings and advanced management or executive development program (e.g., as conducted by Harvard, Columbia, and other universities).

10. Attendance at meetings of professional societies and active participation in their activities -- annual and special conferences and meetings of the American Management Association, the Society for the Advancement of

Management).

11. Participation in systematic management reading programs including selected management books, pamphlets, reports, periodicals and professional journals (e. g., at International Petroleum and the military services).

Publication of management bulletins, reports, and manuals which may be used for development purposes, including organization manuals.[25]

For a more detailed coverage of the major executive program elements, the reader is referred to Dr. Krieger's book, Management Development: An Analysis of Leading Programs in Industry and Government.

As stated previously, there is no single best method or technique. The one which a particular organization finds that best meets its needs will, of course, be the best for that organization. The executive development of the controller will be dependent upon the particular duties and responsibilities which are assigned to him and his own initiative for self-development. The controller should continually seek to develop his own capabilities whether formal programs are available or not. This places the emphasis on self development through the initiative, motivation and personal efforts of the controller himself.

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[25]Krieger, "Principles and Problems of Executive Leadership," op. cit., pp. 147-148.

CHAPTER IV

SUMMARY

The purpose of this thesis has been to provide the reader with a guide toward a clearer understanding of the controllership concept and its many ramifications. The remarks that follow constitute some of the views of the writer concerning the subject.

The term "controllership" means many things to many people. It is difficult to define in a short paragraph. The most well-reputed and authoritative definition is that of the Controllers Institute of America. This concept of the function involves:

1. Establishing, coordinating and maintaining as an integral part of management, an integrated plan for the control operation.

2. Measuring performance against approved operating plans and standards, and to report and interpret the results of operations to all levels of management.

3. Measuring and reporting on the validity of the objectives of the business and on the effectiveness of its policies, organization structure and procedures in attaining those objectives.

4. Reporting to government agencies, as required, and to supervise all matters relating to taxes.

5. Interpreting and reporting on the effect of external influences on the attainment of the objectives of the business.

6. Providing protection for the assets of the business.

The terms "controller" and "comptroller" are used synonomously, but controller is advocated by industry in general.

Controllership represents one of the most important organizational developments in American business in the last half century. Its real and distinctive growth has paralleled that of industry itself. This was brought about primarily by the expanded scope and complexity of business activities which placed added responsitility. This necessitated more emphasis on the reporting and interpreting function for intelligent action.

The controllership function is a logical outgrowth of the previously existing offices of secretary and treasurer.

The Controllers Institute of America has played a large and influential role in the development of controllership through its extensive research and educational efforts in developing the controllership concept. Today, the controller is generally recognized as a vital part of management in the position of one of its closest advisers, a part of the inner group which makes decisions on the plans and policies of the company. The trend for controllership is toward greater responsibility and increased prestige.

There are many differences of opinion on the fixing of limitations and the proper outline of controllership's subfunctional relationships, but there is no doubt that the principal purpose of controllership is to aid management.

The duties and responsibilities of the controller vary widely from one company to another. Frequently, the president, executive vice president, or a staff man reporting to the president perform the real controllership job leaving the designated controller with a task resembling that of a chief accountant. Most controller jobs today are a combination of the inherent controllership function and additional duties which vary from inevitable extensions to others that are plain nuisances. The latter group result from controllers being "empire builders" in some cases and in others they fall on the controller because of his broad knowledge of the business and his ability to take on new jobs with less travail than other executives.

The ideal functions for controllership are included in the concept of the functions as promulgated by the Controllers Institute. These include in their broadest interpretation all of the functions, subfunctions, duties and responsibilities which should be placed under the control executive.

The controller should be a staff officer at the policy making level, responsible directly to the chief executive office of the business. Today's controller is conclusively in the top management lineup, particularly company controllers.

As the control executive, the controller has staff relationships with all levels of the business organization. His relationship to other functional and operating executives is one of cooperation, consultation, advice and assistance. The controller's job requires that he inquire into every phase of the business.

The diversified duties of the controller demand a person with many technical and administrative abilities. Accounting itself is only a small portion of the field. The controller must also be well qualified in all aspects of the business he is to serve.

There are many views on the subject of characteristics and qualifications for controllership. No two views are completely alike. Some of the significant executive abilities and personal characteristics are leadership, integrity, intelligence, use of good judgment and know-how to make decisions, initiative, ability to get along with people, and emotional stability.

The educational background of the controller should consist predominantly of study in the arts, supplemented with perhaps a minimum of specialization consistent with the technical requirements of the profession.

Such an approach places emphasis on the development of the student's thought processes which fosters the spirit of inquiry and cultivates judgment and imagination.

His education must be a continuous process, not ending upon graduation but continuing throughout his working years. Self-development, occupational guidance and executive training programs aid him in this regard.

His role is a vital one. The recognition of the controller's function in American business requires proper understanding of his characteristics, education, and development. To aid in this pursuit has been the goal of this report.

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